

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1715-01  
Bill No.: HB 691  
Subject: Retirement - State; Retirement Systems and Benefits - General  
Type: Original  
Date: February 25, 2015

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Bill Summary: This proposal modifies provisions relating to the Missouri State Employees Retirement System regarding automatic contribution escalations.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Missouri State Employees' Retirement System** assume the proposed legislation would, if enacted, result in annual automatic increases in employee contributions to the deferred compensation plan for any employee hired on or after July 1, 2016. Presently, new employees are automatically enrolled in at 1% of pay unless they opt out of the plan.

Under the proposal, the automatic increases would be in the amount of 0.5% of salary and occur annually at the beginning of each fiscal year for employees who have been employed at least one year. The automatic increases would continue annually until the employee reached the contribution rate of 5% of salary, which would be the rate on the first of the fiscal year following at least eight years of continuous employment with the state. Employees would have the opportunity to adjust to an alternative automatic increase preference (in as little as one-tenth of one percent increment) or they would be able to elect to terminate participation in the automatic increase feature at any time.

Supplemental savings are an important contributor to retirement income security. Automatic enrollment alone may create a false sense of security if it leads employees to assume that they do not need to increase or reevaluate their savings strategy and retirement income needs.

While the voluntary automatic increase tool has been available to plan participants since early 2013, less than 1% of more than 35,000 active plan participants utilize the feature. In addition, of the 8,835 participants automatically enrolled in the plan and still contributing since July 1, 2012, over 79% (7,000 participants) remain at the 1% deferral level, which is generally not sufficient to generate the level of supplemental retirement income that is desirable in addition to amounts provided by the defined benefit plan and social security.

This proposal has no fiscal impact on MOSERS or the State of Missouri.

Officials from the **Joint Committee on Public Retirement** state that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

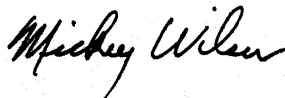
FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Retirement  
Missouri State Employees Retirement System



Mickey Wilson, CPA  
Director  
February 25, 2015

Ross Strope  
Assistant Director  
February 25, 2015